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北控清潔能源集團有限公司

BEIJING ENTERPRISES CLEAN ENERGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

DISCLOSEABLE TRANSACTION

(1) ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE PROJECT COMPANY; AND (2) THE DEBT SETTLEMENT AGREEMENT

THE EQUITY TRANSFER AGREEMENT

On 22 December 2016, the Vendors, the Purchaser and the Project Company entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to dispose of, the entire equity interest in the Project Company.

Upon completion of the Equity Transfer, the Project Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

THE DEBT SETTLEMENT AGREEMENT

In connection with the Equity Transfer Agreement, on 22 December 2016, the Purchaser, the Vendors, the Project Company and the EPC Contractor entered into the Debt Settlement Agreement pursuant to which the parties agreed to the terms relating to the settlement arrangement of the liabilities of the Project Company in relation to the Project.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable ratios set out in Rule 14.07 of the Listing Rules in respect of the Transactions are more than 5% and all of such ratios are below 25%, the Transactions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

On 22 December 2016, the Vendors, the Purchaser and the Project Company entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to dispose of, the entire equity interest in the Project Company.

The material terms of the Equity Transfer Agreement are as follows:

Date

22 December 2016

Parties

- (1) the Vendor A (as one of the vendors)
- (2) the Vendor B (as one of the vendors)
- (3) the Purchaser (as the purchaser)
- (4) the Project Company (as the target company)

To the best of the Directors' knowledge and belief, having made all reasonable enquires, (i) the Vendors; and (ii) the Project Company and its ultimate beneficial owner(s) are independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

Subject Matter

Pursuant to the terms of the Equity Transfer Agreement, the Purchaser agreed to acquire, and the Vendors agreed to dispose of, the entire equity interest in the Project Company.

As at the date of this announcement, 99.9% and 0.1% of the entire equity interest in the Project Company are held by the Vendor A and the Vendor B respectively, and 70% of the equity interest in the Project Company held by the Vendor A is subject to the Equity Pledge. In accordance with the terms of the Debt Settlement Agreement, the Equity Pledge will be released prior to the Vendors and the Project Company completing the relevant procedures necessary for the completion of the Equity Transfer. For further details of the release of the Equity Pledge, please refer to the section headed “THE DEBT SETTLEMENT AGREEMENT” below.

Consideration

The Consideration payable by the Purchaser under the Equity Transfer Agreement is RMB482,632,650.59, consisting of:

- (a) the consideration for the acquisition of the 100% equity interest in the Project Company in the maximum amount of RMB20,233,008.45, which shall be satisfied as follows:
 - (i) the first tranche in the amount of RMB2,626,081.61 shall be payable by the Purchaser to the bank account(s) as designated by the Vendors within 15 business days following the issuance of a new business licence of the Project Company reflecting the Equity Transfer; and
 - (ii) the second tranche in the amount of not more than RMB17,606,926.84 shall be payable by the Project Company to the Vendors (i) within three business days after the Project Company receives the renewable energy subsidy as at 30 June 2016 in whole or in part; and (ii) after the Project Company pays the relevant taxes and expenses.

The actual amount payable by the Project Company to the Vendors will depend on the actual sum of subsidy to be received by the Project Company after deducting relevant taxes and expenses. If the relevant government authority pays the subsidy by instalments, the second tranche amount shall also be paid by instalments within the period as prescribed above; and

- (b) the assumption of the Debt pursuant to the terms of the Debt Settlement Agreement, the details of which are set forth in the section headed “THE DEBT SETTLEMENT AGREEMENT” below.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendors with reference to, among others, the net asset value of the Project Company and the business prospects of the Project. The Consideration will be financed by internal resources and/or bank borrowings of the Group.

Completion of the Equity Transfer

Pursuant to the terms of the Equity Transfer Agreement, the Vendors and the Project Company shall (i) commence the procedures for the change of business registration necessary for the completion of the Equity Transfer no later than the second business day after the payment of the second tranche of the first instalment into the Escrow Account B (as defined below) by the Purchaser under the Debt Settlement Agreement; and (ii) complete the procedures for the Equity Transfer and obtain a new business licence of the Project Company reflecting the Equity Transfer within five business days thereafter.

Upon completion of the Equity Transfer, the Project Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

THE DEBT SETTLEMENT AGREEMENT

In connection with the Equity Transfer Agreement, on 22 December 2016, the Purchaser, the Vendors, the Project Company and the EPC Contractor entered into the Debt Settlement Agreement pursuant to which the parties agreed to the terms relating to the settlement arrangement of the liabilities of the Project Company in relation to the Project.

The material terms of the Debt Settlement Agreement are as follows:

Date

22 December 2016

Parties

- (1) the Purchaser
- (2) the Vendor A
- (3) the Vendor B
- (4) the Project Company
- (5) the EPC Contractor

To the best of the Directors' knowledge and belief, having made all reasonable enquires, (i) the Vendors; and (ii) the Project Company, the EPC Contractor and their respective ultimate beneficial owners are independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

Major Terms

Pursuant to the Debt Settlement Agreement, the parties acknowledged that the Debt amounted to RMB462,399,642.14 and the Purchaser shall repay the Debt for and on behalf of the Project Company. Any additional liabilities of the Project Company as at 30 November 2016 shall be payable by the Vendors and the Vendors shall compensate the Purchaser for any loss that the Purchaser may suffer as a result of such additional liabilities of the Project Company.

When the Purchaser has paid on behalf of the Project Company the funds to all creditors or their designated payees in the manner prescribed under the Debt Settlement Agreement, the Purchaser is deemed to have repaid the equivalent amount of the Debt for and on behalf of the Project Company.

Pursuant to the Debt Settlement Agreement, the repayment to be made by the Purchaser for and on behalf of the Project Company shall be made by three instalments as follows:

First instalment

Within three business days from the date of the Debt Settlement Agreement, the Vendors, the Purchaser and the EPC Contractor shall set up an escrow account in the name of the Purchaser (the “**Escrow Account A**”) and the Vendors and the Purchaser shall set up another escrow account in the name of the Purchaser (the “**Escrow Account B**” and together with the Escrow Account A, the “**Escrow Accounts**”).

The first instalment in the amount of RMB369,919,713.72 consists of the following two tranches:

- (a) the first tranche in the amount of RMB315,575,171.59 shall be payable by the Purchaser depositing into the Escrow Account A no later than the second business day after the setting up of the Escrow Accounts; and
- (b) the second tranche in the amount of RMB54,344,542.13 shall be payable by the Purchaser depositing into the Escrow Account B no later than the second business day after the Vendors and the EPC Contractor obtain the notice of release of the Equity Pledge.

No later than the second business day after the payment of the first tranche of the first instalment, the Vendors and the EPC Contractor shall commence the application procedures for the release of the Equity Pledge.

The Vendors and the Project Company shall (i) commence the procedures for the change of business registration necessary for the completion of the Equity Transfer no later than the second business day after the payment of the second tranche of the first instalment into the Escrow Account B by the Purchaser under the Debt Settlement Agreement; and (ii) complete the procedures for the Equity Transfer and obtain a new business licence of the Project Company reflecting the Equity Transfer within five business days thereafter.

Within two business days following the obtaining of a new business licence of the Project Company reflecting the Equity Transfer and the completion of the procedures for the Equity Transfer, the parties to the Debt Settlement Agreement shall procure the sums deposited in the Escrow Accounts to be paid to the respective accounts of the creditors of the Project Company in accordance with the Debt Settlement Agreement.

Second instalment

The second instalment in the amount of RMB46,239,964.21 consists of the following two tranches:

- (a) the first tranche in the amount of RMB8,000,000 shall be payable by the Purchaser or the Project Company by payment into the respective accounts of the creditors of the Project Company in accordance with the Debt Settlement Agreement within five business days after the Vendors and the EPC Contractor complete each of the rectification works of the Project pursuant to the Debt Settlement Agreement; and
- (b) the second tranche in the amount of RMB38,239,964.21 shall be payable by the Purchaser to the bank account designated by the EPC Contractor within 15 business days after the Project Company obtains a new business licence reflecting the Equity Transfer.

Third instalment

The third instalment in the amount of RMB46,239,964.21 is the quality assurance fund.

After the Project Company obtains a new business licence reflecting the Equity Transfer, the creditors of the Project Company will issue or provide letters of guarantee for a term of one year in favour of the Project Company. Within two business days after the financial personnel of the Purchaser verifies those letters of guarantee, the Purchaser shall pay such creditors an amount equivalent to the amount guaranteed by them under the respective letters of guarantee. The aggregate amount to be guaranteed shall be equal to the total amount of the third instalment.

During the quality assurance period of one year commencing from the date of the issue of a new business licence of the Project Company reflecting the Equity Transfer, the problems identified in the course of examination of the Project shall be rectified by the relevant obligors within the prescribed period, failing which the Purchaser may rectify the problems and deduct the costs of rectification from the letters of guarantee or the quality assurance fund.

Within ten business days after the end of the quality assurance period, the Purchaser shall examine the Project and return the letters of guarantee (after making relevant deductions) to the respective creditors pursuant to the Debt Settlement Agreement.

INFORMATION OF THE PROJECT COMPANY AND THE EPC CONTRACTOR

The Project Company is a company established in the PRC with limited liability and is wholly-owned by the Vendors. It is principally engaged in the business of the investment, development and operation of the Project.

Based on the unaudited financial information of the Project Company, as at 30 November 2016, the net and total assets of the Project Company amounted to approximately RMB12,726,000 and RMB495,779,000, respectively.

The table below sets forth the unaudited net profits/(losses) (both before and after taxation) of the Project Company for the two financial years ended 31 December 2015 based on the unaudited financial information provided by the Project Company for the respective years:

	For the financial year ended 31 December 2015 <i>(approximately)</i> <i>(RMB)</i>	For the financial year ended 31 December 2014 <i>(approximately)</i> <i>(RMB)</i>
Profit/(loss) before taxation	4,136,000	(25,000)
Profit/(loss) after taxation	4,136,000	(25,000)

The EPC Contractor is a company established in the PRC with limited liability and is principally engaged in the businesses of the production and sales of high-voltage electrical appliances and high-voltage and low-voltage integrated equipments and distribution boards, construction of electricity projects, sales of mechanical and electrical products and investments.

“Company”	Beijing Enterprises Clean Energy Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Consideration”	the maximum amount of consideration payable by the Purchaser under the Equity Transfer Agreement in relation to the Equity Transfer
“Debt”	the debt of the Project Company in the sum of RMB462,399,642.14, being the amount of liabilities of the Project Company arising from the Project as at 30 November 2016
“Debt Settlement Agreement”	the debt assumption and settlement agreement dated 22 December 2016 entered into among the Purchaser, the Vendors, the Project Company and the EPC Contractor in respect of the settlement arrangements of the liabilities of the Project Company in relation to the Project
“Director(s)”	the director(s) of the Company
“EPC Contractor”	湖南長高高壓開關集團股份公司 (Hunan Changgao Highvoltage Switchgear Group Co., Ltd.*), a joint stock company established in the PRC and whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002452) and the pledgee of the 70% equity interest in the Project Company
“Equity Pledge”	the pledge of 70% equity interest in the Project Company given by the Vendor A in favour of the EPC Contractor
“Equity Transfer”	the acquisition of the entire equity interest in the Project Company by the Purchaser from the Vendors in accordance with the terms of the Equity Transfer Agreement

“Equity Transfer Agreement”	the equity transfer agreement dated 22 December 2016 entered into among the Vendors, the Purchaser and the Project Company in respect of the Equity Transfer
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatts, which is equal to 1,000,000 watts
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project”	a 50MW photovoltaic power plant in Xingtai City (邢台市), Hebei Province, the PRC
“Project Company”	邢台萬陽新能源開發有限公司 (Xingtai Wanyang New Energy Development Limited*), a company established in the PRC with limited liability, which invests, develops and operates the Project
“Purchaser”	天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Equity Transfer Agreement and the Debt Settlement Agreement
“Vendors”	the Vendor A and the Vendor B
“Vendor A”	Zhuang Ge*(莊格), the owner of the 99.9% of equity interest in the Project Company as at the date of this announcement
“Vendor B”	Guo Yulan*(郭玉蘭), the owner of the 0.1% of equity interest in the Project Company as at the date of this announcement
“%”	per cent.

By Order of the Board
Beijing Enterprises Clean Energy Group Limited
Hu Xiaoyong
Chairman

Hong Kong, 22 December 2016

As at the date of this announcement, the Board comprises seven Directors, namely Mr. Hu Xiaoyong, Mr. Shi Xiaobei, Mr. Liang Yongfeng and Mr. Wang Ye as executive Directors; and Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik as independent non-executive Directors.

* *for identification purposes only*